

EMPLOYEE ENGAGEMENT: AN OVERVIEW

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ABSTRACT

Employee engagement has emerged as a popular organizational concept in recent years. It is the level of commitment and involvement of an employee towards the organization and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. Employee engagement develops positive attitude among the employees towards the organization. This paper focuses on various factors which lead to employee engagement and what should company do to make the employees engaged. Proper attention on engagement strategies will increase the organizational effectiveness in terms of higher productivity, profits, quality, customer satisfaction, employee retention and increased adaptability.

KEY WORDS: Employee engagement, Organizational effectiveness, Productivity, Outcomes, Employee retention

INTRODUCTION

Employee engagement, also called worker engagement, is a business management concept. An "engaged employee" is one who is fully involved in, and enthusiastic about their work, and thus will act in a way that furthers their organization's interests. According to Scarlett Surveys, "Employee Engagement is a measurable degree of an employee's positive or negative emotional attachment to their job, colleagues and organization that profoundly influences their willingness to learn and perform is at work". Thus engagement is distinctively different from employee satisfaction, motivation and organizational culture.

Employee engagement was described in the academic literature by Schmidt et al. (1993). A modernized version of job satisfaction, Schmidt et al.'s influential definition of engagement was "an employee's involvement with, commitment to, and satisfaction with work. Employee engagement is a part of employee retention." This integrates the classic constructs of job satisfaction (Smith et al., 1969), and organizational commitment (Meyer & Allen, 1991). Harter and Schmidt's (2003) most recent meta-analysis can be useful for understanding the impact of engagement. The opposite of employee engagement is a zombie employee. A zombie employee is a disengaged employee that will stumble around the office, lower morale and cost the company money.^[1]

Linkage research (e.g., Treacy) received significant attention in the business community because of correlations between employee engagement and desirable business outcomes such as retention of talent, customer service, individual performance, team performance, business unit productivity, and even enterprise-level financial performance (e.g., Rucci et al, 1998 using data from Sears). Some of this work has been published in a diversity context (e.g., McKay, Avery, Morris et al., 2007). Directions of causality were discussed by Schneider and colleagues in 2003.

EMERGENCE OF THE CONCEPT

Employee engagement is derived from studies of morale or a group's willingness to accomplish organizational objectives which began in the 1920s. The value of morale to organizations was matured by US Army researchers during WWII to predict unity of effort and attitudinal battle-readiness before combat. In the postwar mass production society that required unity of effort in execution, (group) morale scores were used as predictors of speed, quality and militancy. With the advent of the knowledge worker and emphasis on individual talent management (stars), a term was needed to describe an individual's emotional attachment to the organization, fellow associates and the job. Thus the birth of the term "employee engagement" which is an individual emotional phenomenon whereas morale is a group emotional phenomenon of similar characteristics. In other words, employee engagement is the raw material of morale composed of 15 intrinsic and extrinsic attitudinal drivers. (E.g. Scarlett Surveys 2001).

More recently employee engagement has become an area of focus within organizations for the purpose of retention as a means of avoiding expensive employee replacement costs resulting from staff who voluntarily quit their jobs. According to SHRM (Society of Human Resource Management) the cost of replacing one \$8 per hour employee can exceed \$3,500, which gives companies a strong financial incentive to maintain their existing staff members through strong employee engagement practices.

RESEARCH STUDIES

Engaged employees care about the future of the company and are willing to invest discretionary effort.^[4] Engaged employees feel a strong emotional bond to the organisation that employs them (Robinson), which results in higher retention levels and productivity levels and lower absenteeism. When reliably measured, positive employee engagement can be causally related or correlated to specific positive business outcomes by workgroup and job type. Scarlett Surveys refers to these statistical relationships as engageonomics.

EMOTIONAL ATTACHMENT

Only 31% of employees are actively engaged in their jobs. These employees work with passion and feel a profound connection to their company. People that are actively engaged help move the organization forward. 88% of highly engaged employees believe they can positively impact quality of their organization's products, compared with only 38% of the disengaged.^[6] 72% of highly engaged employees believe they can positively affect customer service, versus 27% of the disengaged.^[citation needed] 68% of highly engaged employees believe they can positively impact costs in their job or unit, compared with just 19% of the disengaged.^[4] Engaged employees feel a strong emotional bond to the organization that employs them.^[7] This is associated with people demonstrating a willingness to recommend the organization to others and commit time and effort to help the organization succeed.^[8] It suggests that people are motivated by intrinsic factors (e.g. personal growth, working to a common purpose, being part of a larger process) rather than simply focusing on extrinsic factors (e.g., pay/reward).

INVOLVEMENT

Eileen Appelbaum and her colleagues (2000) studied 15 steel mills, 17 apparel manufacturers, and 10 electronic instrument and imaging equipment producers. Their purpose was to compare traditional production systems with flexible high-performance production systems involving teams, training, and incentive pay systems. In all three industries, the plants utilizing high-involvement practices showed superior performance. In addition, workers in the high-involvement plants showed more positive attitudes, including trust, organizational commitment and intrinsic enjoyment of the work.^[7] The concept has gained popularity as various studies have demonstrated links with productivity. It is often linked to the notion of employee voice and empowerment.

COMMITMENT

It has been routinely found that employee engagement scores account for as much as half of the variance in customer satisfaction scores. This translates into millions of dollars for companies if they can improve their scores. Studies have statistically demonstrated that engaged employees are more productive, more profitable, more customer-focused, safer, and less likely to leave their employer.

Employees with the highest level of commitment perform 20% better and are 87% less likely to leave the organization, which indicates that engagement is linked to organizational performance.^[11] For example, at the beverage company of MolsonCoors, it was found that engaged employees were five times less likely than non-engaged employees to have a safety incident and seven times less likely to have a lost-time safety incident. In fact, the average cost of a safety incident for an engaged employee was \$63, compared with an average of \$392 for a non-engaged employee. Consequently, through strengthening employee engagement, the company saved \$1,721,760 in safety costs in 2002. In addition, savings were found in sales performance teams through engagement. In 2005, for example, low-engagement teams were seen falling behind engaged teams, with a difference in performance-related costs of low- versus high-engagement teams totaling \$2,104,823.3 (Lockwood).

LIFE INSURANCE INDUSTRY

Two studies of employees in the life insurance industry examined the impact of employee perceptions that they had the power to make decisions, sufficient knowledge and information to do the job effectively, and rewards for high performance. Both studies included large samples of employees (3,570 employees in 49 organizations and 4,828 employees in 92 organizations). In both studies, high-involvement management practices were positively associated with employee morale, employee retention, and firm financial performance. Watson Wyatt found that high-commitment organizations (one with loyal and dedicated employees) out-performed those with low commitment by 47% in the 2000 study and by 200% in the 2002 study.

PRODUCTIVITY

In a study of professional service firms, the Hay Group found that offices with engaged employees were up to 43% more productive.

The most striking finding is the almost 52% gaps in operating incomes between companies with highly engaged employees and companies whose employees have low-engagement scores. High-engagement companies improved 19.2% while low-engagement companies declined 32.7% in operating income during the study period. For example, New Century Financial Corporation, a U.S. specialty mortgage banking company, found that account executives in the wholesale division who were actively disengaged produced 28% less revenue than their colleagues who were engaged. Furthermore, those not engaged generated 23% less revenue than their engaged counterparts. Engaged employees also outperformed the not engaged and actively disengaged employees in other divisions.

GENERATING ENGAGEMENT

Commitment theories are rather based on creating conditions, under which the employee will feel compelled to work for an organization, whereas engagement theories aim to bring about a situation in which the employee by free choice has an intrinsic desire to work in the best interests of the organization.

Recent research has focused on developing a better understanding of how variables such as quality of work relationships and values of the organization interact, and their link to important work outcomes.^[15] 84% of highly engaged employees believe they can positively impact the quality of their organization's products, compared with only 31 percent of the disengaged.^[4] From the perspective of the employee, "outcomes" range from strong commitment to the isolation of oneself from the organization. The study done by the Gallup Management Journal has shown that only 29% of employees are actively engaged in their jobs. Those "engaged" employees work with passion and feel a strong connection to their company. About 2/3 of the business units scoring above the median on employee engagement also scored above the median on performance.^[7] Moreover, 54% of employees are not engaged meaning that they go through each workday putting time but no passion into their work. Only about 1/3 of companies below the median on employee engagement scored above the median on performance.

Access to a reliable model enables organizations to conduct validation studies to establish the relationship of employee engagement to productivity/performance and other measures linked to effectiveness.

It is an important principle of industrial and organizational psychology (i.e. the application of psychological theories, research methods, and intervention strategies involving workplace issues) that validation studies should be anchored in reliable scales (i.e. organized and related groups of items) and not simply focus on individual elements in isolation. To understand how high levels of employee engagement affect organizational performance/productivity it is important to have an a priori model that demonstrates how the scales interact.

There is also overlap between this concept and those relating to well-being at work and the psychological contract. Research by Gallup Consulting has shown a strong correlation between the degree of well-being of an individual and the extent to which they are engaged as an employee - high well-being yields high engagement. A well and engaged employee is likely to have less sick days, lowering the cost of lost productivity to their organization, and come to work energized and focused. A well and engaged employee is efficient and effective and a valuable asset in the workplace.

As employee productivity is clearly connected with employee engagement, creating an environment that encourages employee engagement is considered to be essential in the effective management of human capital.

DRIVERS OF ENGAGEMENT

While it is possible to measure engagement itself through employee surveys, this does not assist in identifying areas for improvement within organisations. There are a range of factors, known as drivers, which are thought to increase overall engagement. By managing the drivers, an organisation can effectively manage engagement levels of its employees. Drivers such as communication, performance clarity and feedback, organisational culture, rewards and recognition, relationships with managers and peers, career development opportunities and knowledge of the organisation's goals and vision are some of the factors that facilitate employee engagement. Some points from the research are presented below:

* **Employee perceptions of job importance** - "...an employee's attitude toward the job's importance and the company had the greatest impact on loyalty and customer service than all other employee factors combined."

* **Employee clarity of job expectations** - "If expectations are not clear and basic materials and equipment are not provided, negative emotions such as boredom or resentment may result, and the employee may then become focused on surviving more than thinking about how he can help the organization succeed."

* **Career advancement/improvement opportunities** - "Plant supervisors and managers indicated that many plant improvements were being made outside the suggestion system, where employees initiated changes in order to reap the bonuses generated by the subsequent cost savings."

* **Regular feedback and dialogue with superiors** - "Feedback is the key to giving employees a sense of where they're going, but many organizations are remarkably bad at giving it."^[8] "What I really wanted to hear was 'Thanks. You did a good job.' But all my boss did was hand me a check."

* **Quality of working relationships with peers, superiors, and subordinates** - "...if employees' relationship with their managers is fractured, then no amount of perks will persuade the employees to perform at top levels. Employee engagement is a direct reflection of how employees feel about their relationship with the boss."

* **Perceptions of the ethos and values of the organization** - "'Inspiration and values' is the most important of the six drivers in our Engaged Performance model. Inspirational leadership is the ultimate perk. In its absence, [it] is unlikely to engage employees."

* **Effective Internal Employee Communications** - which convey a clear description of "what's going on". "If you accept that employees want to be involved in what they are doing then this trend is clear (from small businesses to large global organisations). The effect of poor internal communications is seen as its most destructive in global organisations which suffer from employee annexation - where the head office in one country is buoyant (since they are closest to the action, know what is going on, and are heavily engaged) but its annexes (who are furthest away from the action and know little about what is happening) are dis-engaged. In the worst case, employee annexation can be very destructive when the head office attributes the annex's low engagement to its poor performance... when its poor performance is really due to its poor communications.

* **Reward to engage** - Look at employee benefits and acknowledge the role of incentives. "An incentive to reward good work is a tried and test way of boosting staff morale and enhancing engagement." There are a range of tactics you can employ to ensure your incentive scheme hits the mark with your workforce such as: Setting realistic targets, selecting the right rewards for your incentive programme, communicating the scheme effectively and frequently, have lots of winners and reward all achievers, encouraging sustained effort, present awards publicly and evaluate the incentive scheme regularly.

POTENTIAL RED FLAGS

- Inappropriate use of Benchmark Data - some of the more well established Employee Engagement survey companies will state that the most important part of post survey follow up is related to comparison of internal survey data to numerous external benchmarks. This seems to have rubbed off onto internal sponsors who demand very specific benchmarks. Whilst some research analysts claim that the standard comparisons by industry sector are flawed others disagree. Is it right to compare a Bentley employee to one from Vauxhall (GM) because they are in the same automotive sector? The alternative argument is that both organisations would likely draw from similar worker pools and would as such wish to better understand

expectations of workers in that industry and how they compare to competing employers.

- A focus on data gathering rather than taking action may also damage engagement efforts. Organizations that survey their workforce without acting on the feedback appear to negatively impact engagement scores.^[5]
- According to the Conference Board and other recent studies, employee engagement has deteriorated significantly in the US and the UK over the last five years. Measuring and managing the wrong or incomplete set of engagement drivers is partly if not mostly to blame. Rigorous engagement measurement encompasses 15 attitudinal drivers formed by employee experiences.

KEY INGREDIENTS OF EMPLOYEE ENGAGEMENT

NATURE OF WORK

Is the nature of the work, mentally stimulating day-to-day?

SUPPORT

Does the employee feel supported by his line manager and colleagues?

RECOGNITION

Does the employee feel that his efforts are recognized and valued?

ADVOCACY

Is the employee willing to recommend their company to family and friends?

LOYALTY

Does the employee want to stay with the company and develop their career?

VALUES

Does the employee feel that managers and colleagues “walk the talk” in terms of the company’s values?

INITIATIVES

Some of the initiatives commonly undertaken by HR departments towards employee engagement are:

- **On-boarding:** When an employee joins the organisation s/he needs to be exposed to the organisations policies and culture. There may be some fresh out of campuses that need to know the basics of communication skills and job related skills. During the induction programme itself, they can be given an exposure about these aspects, skills sets and the expectations. The on-boarding event experience itself leaves a mark on the minds of the new recruits about the company’s desire to enhance their skills.
- **Learning and development events:** When business practices and processes are changing. In this environment, there is an acute necessity for enhancing the skill levels of employees already discharging various functions.

ENGAGEMENT LEVELS

Organisations that believe in increasing employee engagement levels concentrate on the following levels:

- **Culture:** It consists of a foundation of leadership, vision, values, effective communication, a strategic plan and HR policies that are focussed on the employee. Commitment - It is the foundation of engagement. Employees with high level of organisational commitment are willing to exert considerable effort for the organisation and make discretionary contributions.
- **Cooperation:** It encompasses positive relationship among employees within a group. It is the inherent willingness of individuals working in a team to pull in the same direction and achieve organisational goals.
- **Taking responsibility:** Taking initiative and responsibility to become a part of the solutions is an important ingredient of engagement. For an employee to display loyalty towards his organisation, the first thing he needs to do is to take responsibility. "Taking responsibility" refer to feeling empowered. Employees who feel empowered have a sense of belonging and excitement about their jobs, they feel engaged at an emotional level and are willing to give their best all the time.

ADVANTAGES OF ENGAGED EMPLOYEES

- They will perform better and are more motivated
- There is a significant link between employee engagement and profitability
- Engaged employees will stay with the company, be an advocate of the company and its products and services, and contribute to bottom line business success.
- Creates a sense of loyalty in a competitive environment.
- Provides a high energy working environment.
- Engaged employees serve as a brand ambassador of the organisation.

CONCLUSION

Employee Engagement is a positive attitude held by the employees towards the organization and its values. It is rapidly gaining popularity and importance in the workplace and impacts organizations in many ways. An organization should thus recognize employees, more than any other variable, as powerful contributors to its competitive position. Engaged employees can help your organization achieve its mission, execute its strategy and generate important business results. Therefore employee engagement should be a continuous process of learning, improvement, measurement and action. This paper provides some noteworthy implications for practitioners. It focuses on the various factors which influence employee engagement. It has been observed that organizations with higher levels of employee engagement outperform their competitors in terms of profitability. Engaged employees give their companies crucial competitive advantages—including higher productivity, customer satisfaction and lower employee turnover. The relationship between employee engagement and organizational outcomes would be stronger if better measures were used. Thus, organizations need to better understand how different employees are affected by different factors of engagement and focus on those in order to achieve the strategic outcomes as well as to improve overall effectiveness.

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